

5 November 1986

NOTE TO: AD/SOVA

Doug:

Please review and provide comments on the attached "For Comment" draft of the DoD Annual Report to the Congress.


- Be sure to format comments according to the instructions on pp. ii-iii of the draft.
- Prepare a response memo for D/DCI-DDCI Executive Staff signature to James Lemon, DoD--the comments would then be attached to this memo.
- Indicate in the memo who the SOVA point of contact should be.

I have attached a copy of last year's memo/comments as an example.

Despite the size of this report, I believe your comments probably will be limited to Part I, sections A-D, and perhaps Part III, I (pp. 42-45)--be sure to coordinate comments on the latter section with TTAC. Also, do not write on the draft report because the DCI wants to see it after your review.

Please forward your memo/comments and the draft Annual Report to me no later than noon, 13 November 1986.

Thanks,


EA/DDI

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Attachments:

- A. Last Year's Memo/Comments
- B. DoD Report

WHD 2111

Central Intelligence Agency

DDI- 85472/151



Washington, D. C. 20505

MEMORANDUM FOR: Colonel David R. Brown, USA
Executive Secretary
Office of the Secretary of Defense

SUBJECT: Review of FY87 Annual Defense Report "For Comment" Draft

1. We have reviewed the subject draft and have only two substantive problems:

- The context within which the dollar cost comparisons of US and Soviet defense activities are presented, and
- The comparisons of the dollar costs of US and Soviet RDT&E activities.

2. The dollar cost comparisons which appear on pp. I-A-3 through I-A-8 are contained within a discussion that directly links military expenditure to capability. In using the dollar cost comparisons to support the argument that equivalent military capability requires an equivalent level of investment, the comparisons are misused. Dollar costs are not a good measure of overall military capability and should not be used as such. They measure the resources required to produce and operate the forces, not the value of the forces in particular military situations. Assessments of capability must take into account military doctrine and battle scenarios; the tactical proficiency, readiness, and morale of forces; the effectiveness of weapons; logistic factors; and many other considerations.

3. The two charts on pp. I-A-6 and III-E-2 that compare the dollar costs of US and Soviet RDT&E activities, as well as the text on p. III-E-1 that describes the growth rate and level of Soviet R&D in dollar terms should be deleted. We are developing a new methodology to measure Soviet military RDT&E expenditures and are on the verge of producing a new estimate. It is not appropriate that this new estimate, even at a high level of aggregation, first appear in an unclassified document.

SUBJECT: Review of FY87 Annual Defense Report "For Comment" Draft

4. Specific comments on the "For Comment" draft are attached. If you have any questions on these comments, please contact [redacted] Chief of the Comparative Analysis Branch, SOVA. He can be reached on [redacted]
[redacted]

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Robert M. Gates
Deputy Director for Intelligence

Attachment:
as stated

Comments on Secretary Defense Posture Statement for EY-87

Part 1

Chapter A

(CIA)

Reference: Page 1-A-3 Para 3, entire

Comment: We disagree with the premise that the US needs to match the dollar cost of Soviet military investment in order to avoid being militarily inferior.

Rationale: Dollar costs are not a good measure of the overall military capabilities of US and Soviet forces and should not be used as such. Dollar cost estimates of Soviet military investment measure the resources required to produce Soviet forces in the US, not the value of those forces situations. Assessments of capability must take into account military doctrine and battle scenarios; the effectiveness of weapons; logistic factors; and a host of other considerations. Dollar costs of defense activities do not provide a reliable overall measure of these disparate factors. Better discussions of investment comparisons are found in previous Annual Reports. These discussions more properly link higher Soviet investment to larger stocks of military assets.

Reference: charts I.A.1, I.A.2, and I.A.3

Comment: We cannot update chart until mid-December.

Rationale: Our cost update will not be completed until then.

Reference: page I-A-4 Para 1, line 6

Comment: delete, "dollar-ruble exchange ratios"

Rationale: The CIA does not use dollar-ruble exchange ratios to convert ruble estimates to dollars. Instead, we estimate the cost of producing the

individual pieces of Soviet equipment in the US based on the engineering characteristics of the equipment.

Reference: page I-A-4 para 1 lines 11-13

Comment: Delete "When the Reagan Administration took office, the Soviets were investing about 50 percent more in their forces each year than we were in ours" and replace with "When the Reagan Administration took office, the dollar cost of Soviet yearly investment in their military forces was about 50 percent greater than comparable US investment outlays."

Rationale: The Soviets do not spend dollars. Dollar investment cost analysis measures what it would cost the US, using prevailing US prices and wages, to develop and deploy a military force of the same size and with the same weapons as that of the USSR.

Reference: page I-A-5 chart I.A.5

Comment: We cannot update graphic until mid-December.

Rationale: Our cost update will not be completed till then.

Reference: page I-A-6 chart I.A.3

Comment: We cannot update graphics till mid-December.

Rationale: Our cost update will not be completed till then.

Reference: page I-A-6 chart I.A.4

Comment: Delete graphic

Rationale: We are using a new method to measure Soviet military RDT&E expenditures. This new estimate is presently classified Secret and cannot appear in an unclassified document.

Reference: page I-A-7 para 1 line 3

Comment: replace "...for every \$1 of Soviet military investment..." with "...for every dollars worth of Soviet military investment..."

Rationale: Wording implies that the Soviets spend dollars, which they do not. (See Above)

Reference: page I-A-7 para 2 line 5

Comment: Replace "...to 90 cents for each Soviet dollar." to "...to 90 cents for each dollars" worth of Soviet investment."

Rationale: Wording implies that the Soviets spend dollars, which they do not. (See Above)

Reference: page I-A-7 para 3 lines 2-3

Comment: Replace "...the Soviets spent \$1.34 trillion." with "... the dollar cost of Soviet military investment was \$1.34 trillion."

Rationale: The Soviets do not spend dollars. (See Above)

Reference: page I-A-8 chart I.A.5

Comment: We cannot update the graphic until mid-December.

Rationale: Our cost update will not be completed till then.

Reference: page I-A-9 para 1 line 2

Comment: Replace "...more than 15 percent of their GNP..." with "...13-14 percent of their GNP..."

Rationale: This is the CIA estimate of the defense share of Soviet GNP.

Part I

Chapter D

(CIA) -

Reference: page I-D-6 chart I.D.1

Comment: We cannot update graphic until mid-December.

Rationale: Our cost update will not be completed until then.

Reference: page I-D-6 para 1 lines 6-7

Comment: replace "...Soviet military investment has exceeded our own,..." with "...Soviet military investment, when measured in dollars, has exceeded our own,...".

Rationale: The Soviets do not spend dollars. (See Above)

Reference: Page I-D-6, para 1 lines 8-12

Comment: With reference to:
"Our assessment of Soviet military programs underway indicates that their military investment will increase more rapidly in the years ahead, adversely affecting the longer-term trends in the military balance if US military investment now levels off."
The latest CIA estimate of future growth in Soviet defense spending would be consistent with the following language:
"Current estimates of total Soviet defense spending for the 12th Five Year Plan suggest it will increase at a relatively modest rate-- from 1 to 3 percent per year. Military investment is likely to grow at or about the same rate as the previous ten years. The current high level of spending would permit a substantial amount of force modernization to occur even if there were no growth."

Reference: page I-D-12 chart I.D.2

Comment: We cannot update graphic till mid-December.

Rationale: Our cost update will not be completed until then.

Part III

Chapter E

(CIA) -

Reference:

Page III-E-1, para 3, lines 1-5

Comment:

Delete, "Soviet investment in military R&D has been increasing in real terms at over 5 percent annually for the past 20 years. As Chart III-E-1 indicates, for the past decade the dollar equivalent cost of their military R&D program has exceeded that of the United States by roughly \$200 billion."

Replace with:

"The Soviet Union continues to commit massive and growing resources to military R&D."

Rationale:

We are using a new method to measure Soviet military RDT&E expenditures. We estimate that the level and growth of Soviet military RDT&E expenditures is lower than the numbers cited above. This estimate is based on the growth of observable resource inputs in Soviet military RDT&E such as manpower, capital investment and material expenditures. This new expenditure estimate and its growth rates are classified Secret.

Reference:

Page III-E-2, Chart III.E.1

Comment:

Delete Chart III.E.1

Rationale:

See Rationale above.

EXECUTIVE SECRETARIAT

ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X		w/o Report)
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI	X			
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/OLL				
14	D/PAO				
15	D/PERS				
16	VC/NIC				
17	D/Exec Staff		X (w/o Report)		
18					
19					
20					
21					
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SUSPENSE		14 NOV 86 Date			

Remarks To # 5: Please have reviewed and provide agreement and/or comments for Director, Executive Staff, signature. (Also, about a week ago, the DCI asked to see this report, please return for his review and retention)

Executive Secretary
w/o report)
4 NOV 86
Date

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OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

Excluded from automatic downgrading and declassification

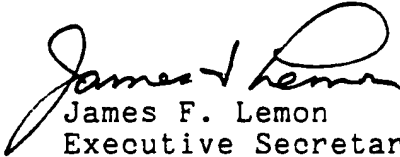
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3 NOV 1986

MEMORANDUM FOR EXECUTIVE SECRETARY
CENTRAL INTELLIGENCE AGENCY

SUBJECT: "For Comment" Draft of the FY 1988 Annual Defense
Report

Attached for your review is the "For Comment" draft of the Secretary of Defense's Annual Report to the Congress. In order that your agency's comments may be considered for incorporation in the final report, request they be submitted by noon, Friday, November 14, 1986. Please have your agency point of contact's name passed to Major Krepinevich, 694-0732. Thank you for your assistance.


James F. Lemon
Executive Secretary

Attachment
a/s

Annual Report to the Congress FISCAL YEAR 1988



Caspar W. Weinberger
Secretary of Defense

NOTICE

This draft is disseminated for security and policy review function only. The document has not been cleared for public release.

For Comment Draft



OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

3 NOV 1986

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL
INSPECTOR GENERAL
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: FY 1988 Annual Defense Report "For Comment" Draft

The draft text of the FY 1988 Annual Defense Report is attached for your review.

Given Mr. Weinberger's interest in the Annual Report I request your personal attention to the document at this time. I intend to inform Mr. Weinberger that his principal advisors have approved the draft report when we give him the "Final Coordination" draft in December.

I ask that you and your staffs keep two things in mind during your review in addition to the usual objective of ensuring accuracy and consistency. First, I would like to reduce the length of the report, so you should focus on eliminating unneeded existing material rather than adding new material. Second, in the interest of determining possible omissions and eliminating redundancy, please review the entire document, not simply those areas for which you have responsibility or expertise.

To date, we have maintained the original milestone schedule. To ensure continued compliance with this schedule, I ask that your comments, prepared in accordance with the enclosed instructions, be submitted to the Executive Secretariat, Room 3C-833, the Pentagon, no later than noon Friday, November 14, 1986. Any questions on this project can be directed to Major Andy Krepinevich or Major Mike Miller (694-0732).


James F. Lemon
Executive Secretary

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has not been cleared for public release.